

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	Chapter 11
	§	
STEWARD HEALTH CARE SYSTEM	§	Case No. 24-90213 (CML)
LLC, et al.,	§	
	§	(Jointly Administered)
Debtors.¹	§	
	§	

**DECLARATION OF TOBY KING IN
SUPPORT OF SALE OF STEWARDSHIP HEALTH ASSETS FREE AND
CLEAR OF LIENS AND LIABILITIES AND GRANTING RELATED RELIEF**

I, Toby King, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I submit this declaration (“**Declaration**”) in support of the Debtors’ sale of their Debtors’ managed care business and related primary care practices, Stewardship Health, to Brady Health Buyer, LLC (“**Brady**”).

2. I am a Senior Managing Director in Investment Banking at Leerink Partners LLC (“**Leerink Partners**”), which is a leading independent investment banking advisory firm primarily focused on advising healthcare companies on mergers and acquisitions, divestitures, special committee assignments, recapitalizations, capital markets offerings, strategic transactions, and equity research and equity securities trading for institutional investors. Leerink Partners and its affiliates serve a diverse set of healthcare clients around the United States from offices in New York, Boston, Charlotte, Nashville, and San Francisco.

¹ A complete list of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ claims and noticing agent at <https://restructuring.ra.kroll.com/Steward>. The Debtors’ service address for these chapter 11 cases is 1900 N. Pearl Street, Suite 2400, Dallas, Texas 75201.

3. I am Leerink Partners' lead investment banker leading the Leerink Partners' team related to its engagement with Steward Health Care System LLC and its affiliated debtors and debtors in possession (collectively, the "**Debtors**"). Leerink Partners has been retained by the Debtors to market and sell certain of the Debtors' assets.² Except as otherwise indicated, all statements set forth in this Declaration are based on (i) my personal knowledge of the Debtors' operations and finances, (ii) my review of relevant documents, (iii) information provided to me by Leerink Partners employees working directly with me or under my supervision, (iv) information provided to me by, or discussions with, the members of the Debtors' management team or the other advisors to the Debtors, including Weil, Gotshal & Manges LLP ("**Weil**"), Lazard Inc. ("**Lazard**"), AlixPartners, LLP ("**AlixPartners**"), and Cain Brothers, a division of KeyBanc Capital Markets ("**Cain Brothers**," together with Weil, Lazard, and AlixPartners, the "**Advisors**"), and/or (v) my opinion based on my experience as an investment banking professional. I am not being compensated based on the substance of my testimony or the specific outcome pending before the Court. If called to testify, I could and would testify to each of the facts set forth herein on the foregoing bases. I am authorized to submit this declaration on behalf of the Debtors.

4. On May 27, 2024, I submitted the *Declaration of Toby King in Support of Emergency Motion of Debtors for Entry of an Order (I) Approving (A) Global Bidding Procedures for Sales of Debtors' Assets, (B) Form and manner of Notice of Sales, Auctions, and Sale Hearings, and (C) Assumption and Assignment Procedures and Form and Manner of Notice of Assumption and Assignment; (II) Authorizing Designation of Stalking Horse Bidder; (III) Scheduling Auctions*

² On June 12, 2024, the Court entered the *Order Authorizing the Retention and Employment of Leerink Partners LLC as Healthcare Investment Banker, Nunc Pro Tunc to the Petition Date* (Docket No. 786) approving the retention and employment of Leerink Partners to act as healthcare investment banker to the Debtors.

and Sale Hearings; and (IV) Granting Related Relief (Docket No. 426) (the “**Bidding Procedures Declaration**”). Information about my qualifications and professional background may be found in the Bidding Procedures Declaration and are incorporated herein by reference.

Sale Overview

5. As further described in the Bidding Procedures Declaration, Leerink Partners and the Debtors’ other Advisors worked in conjunction with the Debtors to develop the global bidding procedures (“**Global Bidding Procedures**”),³ which were designed to provide the Debtors with flexibility to solicit proposals, negotiate transactions, hold auctions (as needed), and consummate sale transactions for the highest or otherwise best value.

6. The flexible structure of the Global Bidding Procedures was intended to generate the greatest level of interest in the Debtors’ assets, including Stewardship Health, and enabled a competitive and robust bidding process with respect to Stewardship Health.

7. In accordance with the Global Bidding Procedures, the Debtors’ sale process has resulted in a successful bid, which I believe represents the highest and best transaction for Stewardship Health. The Stewardship Health sale process was conducted in good faith, and negotiations between the Debtors and the successful bidder were conducted at arm’s length and among sophisticated professionals, with the Debtors acting under the oversight and direction of the independent Transformation Committee.

Marketing and Sale Process

8. As further described in the Bidding Procedures Declaration, before the Petition Date, Leerink Partners used its expertise and knowledge of the hospital industry; local,

³ Capitalized terms used but not otherwise defined herein shall have such meanings set forth in the Global Bidding Procedures.

regional, and national health systems; and select for-profit and not for-profit health systems to identify parties that could potentially be interested in Stewardship Health, the Company's risk-based payor contracting network and related primary care practices.

9. In December 2023, Leerink Partners commenced a marketing and sale process for Stewardship Health. Stewardship Health is among the largest Medicare accountable care organizations (“ACOs”)⁴ in the United States and manages a portfolio of risk-based contracts with local health plans and government entities. Additionally, Stewardship Health has risk-based contracts with various third-party insurance providers, under which the Debtors are liable for the cost of medical care for third-party payor members. In total, Stewardship Health serves over 800,000 patients annually, with approximately 3,250 affiliate providers. Further, Stewardship Health employs over 290 physicians.

10. The marketing and sale process for Stewardship Health was designed to provide a large number of potential purchasers with information concerning the business's assets and operations to allow potential purchasers to submit bids and request further diligence. During this process, Leerink Partners also provided potential purchasers with a thorough understanding of Stewardship Health through meetings and extensive diligence. Interested parties were then provided comprehensive information concerning Stewardship Health's assets and operations and the process and timeline under which they would compete to acquire the business.

11. Based on my professional experience and participation in this process, the marketing and sale process for Stewardship Health was extensive, involving solicitations of interest from a diverse set of potential strategic and financial investors, and provided potential

⁴ ACOs are an alternative payment model in which physicians and hospitals assume responsibility for the total cost of care for a population of patients. If the ACO meets certain targets for quality of care and keeps health care costs below certain predetermined benchmarks, then the ACO is eligible to share in the implied savings.

interested parties with sufficient time to perform thorough diligence. The process included, among other efforts, providing bidders access to (i) electronic data rooms containing over 4,500 documents concerning Stewardship Health's assets and operations; (ii) detailed confidential memoranda which contained certain non-public information concerning Stewardship Health's assets and operations; (iii) financial performance and detailed models; (iv) discussions with the Debtors' management; (v) third party diligence workstreams including finance and accounting; and (vi) extensive legal due diligence. During the process, Leerink Partners contacted forty (40) potential purchasers, approximately twenty (20) of whom executed confidentiality agreements ("NDAs"). In addition, ten (10) parties participated in a presentation led by the Debtors' management team and were provided with an opportunity to engage in additional discussions with management concerning topics relevant to the business.

12. As the Petition Date, four (4) parties had submitted non-binding indications of interest ("IOIs") for Stewardship Health, including the non-binding IOI the Debtors received and ultimately executed with United on March 19, 2024. After the Petition Date, the Debtors and United continued to engage in good-faith, arm's-length negotiations toward definitive documentation. However, despite extensive, good-faith and arm's length negotiations, United ultimately withdrew its interest and did not submit a binding bid pursuant to the Global Bidding Procedures.

13. After the Petition Date, Leerink Partners resolicited all potential purchasers that it had contacted as part of its initial marketing and sale process, as well as seventeen (17) new parties (totaling fifty-seven (57) parties contacted). Leerink Partners provided additional diligence information to those parties and engaged in significant discussions with those bidders. Following this re-solicitation process, two (2) parties submitted bids to purchase Stewardship Health. The

Debtors' independent Transformation Committee was kept informed of the ongoing discussions with the bidders and was provided with the bids received. Further, in accordance with the Global Bidding Procedures, the Consultation Parties were consistently apprised of sale updates and received copies of each bid with respect to Stewardship Health, as appropriate.

Receipt and Evaluation of Alternative Bids

14. At the bid deadline, in addition to an indication of interest from a strategic bidder, the Debtors received two (2) bids for Stewardship Health, including (i) a bid from the successful bidder, Brady Health Buyer, LLC (the "**Brady Bid**"), with a headline value of between \$175 – 215 million, subject to certain purchase price adjustments, and (ii) a credit bid from the FILO Lenders of \$225 million, both of which were reviewed and evaluated with the Transformation Committee. Following the receipt of both bids, Leerink Partners and the Debtors' other Advisors continued to work with both Brady and the FILO Lenders to determine if either bidder was prepared to offer improved terms. In the days following the bid deadline, the Debtors continued to engage with the bidders in effort to improve the terms of each bid, and ultimately both Brady and the FILO Lenders submitted revised bids, each with improved terms.

15. In reviewing and evaluating the bids, the Debtors and their Advisors, with the direction from the Debtors' independent Transformation Committee, analyzed, among other things, (a) the structure of the proposed transaction, (b) the form and amount of consideration offered, and (c) execution risk, including with respect to any conditions placed on the bid and funding ability.

16. Based on this evaluation and after thoughtful consideration, on July 26, 2024, the Debtors designated the Brady Bid as a Qualified Bid pursuant to the Global Bidding Procedures. The Debtors continued to work with the FILO Lenders to improve their bid in advance

of an auction. However, in advance of the auction, due to, among other things, the prospect of the FILO Lenders' credit bid, Brady improved its bid, and proposed a purchase price of \$245 million. As a result of the Brady's improved terms, the FILO Lenders determined that such purchase price was more than they were willing to credit bid and informed the Debtors that they would not match or exceed the Brady Bid. Given the competitive bidding process significantly improved the terms of the Brady Bid such that the FILO Lenders were not interested in submitting a higher or better bid, the Debtors worked to finalize the transaction documentation for the Sale Transaction with Brady.

17. After extensive negotiations and finalizing the Stewardship Health APA, on August 12, 2024, the Debtors, in consultation with the Consultation Parties and with the approval of the Transformation Committee, determined that the designation of the Brady Bid as the successful bid with respect to Stewardship Health was in the best interests of the Debtors and their estates.

Conclusion

18. I believe the Debtors have sound business justification for entering into the Stewardship Health Sale Transaction discussed herein. In my opinion, the Stewardship Health Sale Transaction constitutes the best transaction presently available after the completion of a robust and extensive marketing and sale process. The Stewardship Health Sale Transaction was conducted in good faith and is the product of hard-fought, arm's-length negotiations with Brady among sophisticated professionals and with the oversight of the Debtors' independent Transformation Committee. As evidence of this: (i) the Debtors and Leerink Partners continued the marketing and sale process in compliance with the Court-approved Global Bidding Procedures; (ii) the Debtors and their Advisors conducted a fair and open sale process; (iii) the sale process

and the Global Bidding Procedures were non-collusive, duly noticed, and provided a full, fair, and reasonable opportunity for any entity to make an offer to purchase Stewardship Health; (iv) there was no other transaction that provided higher or better value for Stewardship Health; and (v) the sale process obtained the highest and best transaction for Stewardship Health for the Debtors and their estates.

19. Based on my experience and my personal knowledge of the Debtors' commercial circumstances and the marketing process, I believe that the Stewardship Health Sale Transaction described herein represent the highest or otherwise best transaction available for under the circumstances, and approving the Sale Transaction and APA and designating the Brady Bid as the successful bid for Stewardship Health is in the best interests of the Debtors' estates and their creditors.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

August 12, 2024
New York, New York

/s/ Toby King
Toby King
Managing Director
Leerink Partners LLC